

LOUISVILLE METRO COUNCIL COMMITTEE MINUTES

Government Accountability and Oversight

Wednesday, March 11, 2009

4:05 P.M.

Third Floor, City Hall

Present: Chairman: **CM Downard**
Members: **CM Kramer, CM Ward-Pugh, CM Henderson, and CM Fleming**

Also Present: **CM Stuckel, CM Benson, CM Woolridge, CM Blackwell, CM Heiner, CM Hamilton, and CM Green**

Absent: **CM King (Excused) and CM Ackerson (Excused)**

Chairman Downard began the meeting by introducing the members and non-members of the committee that were present. A quorum was established.

Special Item For Discussion – Crit Luallen, State Auditor – Louisville Housing and Family Services Department Audit

Crit Luallen, State Auditor, spoke introducing some of the people from her office that were present that worked on this audit as follows: Cindy James, Assistant State Auditor, Sally Hamilton, Director of Financial Audit, Terry Sebastian, Director of Communications, Beth Francis and Liz Lowe, who were valuable members of the Audit team. Ms. Luallen gave opening comments and stated that follow up meetings or questions was available for any Council Member regarding this Audit. The following was discussed:

- Audit was released 2-17-09
- Lax controls and inadequate oversight affected numerous Housing and Family Services Programs and caused increased risks for millions of dollars in local and federal funds.
- 43 findings
- 58 recommendations
- Disclaimed the Audit Opinion - Did not issue an Audit Opinion
- Reviewed \$18,000,000 in federal funds
- \$459,000 in Question Costs – unallowed expenditures
- 10 Auditors all together
- Inability to adequately test 6.1 million dollars in payroll charges to federal grants
- Referred this Audit for further review to the Attorney General's Office, Louisville Metro Police, U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture, U.S. Department of Health and Human Services, and the US Attorney's office for the Western District of Kentucky
 - Do not have update from the agencies yet
- Concerns in 2004, 2005, 2006, and 2007 Audits - mainly reporting issues, monitoring of sub recipients for Federal grants, and proper use of program income
- Department greatly deteriorated with new Director in January 2007 to August 2008- has marked difference in problems
 - During the tenure of this Director – Management lacked an understanding of financial procedures and processes, and the staff was not provided with proper training, oversight, or direction
- Need full time financial manager with knowledge of grants
- The City has been working to correct the situation
- Steps taken since Audit Release
 - Monthly meetings with the Mayor and HUD
 - Consultant retained, recommended by HUD, to provide advice on strengthening Administration of these programs
 - Mayor's General Counsel who is serving as Interim Director of Housing and Family Services, has as her primary responsibility, the oversight of these critical issues

- o Jane Driskell, former Finance Director, is returning in a roll that includes a combined roll over policy and management as well as finance and will also be advising on the audit recommendations
- State Auditor will monitor the program as Metro moves forward

A Handout was given to the Committee Members regarding questions transmitted to the State Auditor's Office from the Committee (Attached)

Further discussion included the following:

- Per KRS 67C.133 The Auditor of Public Accounts shall annually audit the funds budgeted by any consolidated local government in a county containing a city of the first class
- State Auditor can grant permission for the City to hire an outside auditor
- State Auditor performs 600 audits throughout the State a year
- State Auditor did the Audit in 2003, 2004, and 2005, during Merger and an outside Auditor for 2006, 2007, and 2008
- Reporting structure
- This department is a small component of an overall budget and with 10 auditors on just this department, there was much more detail that was able to be done
- Some issues were new and some were reoccurring every year
- Lack of skills and training regarding grants
- Copies of the previous audits are available to the Council Members
- Ethical issues
 - o Employees need to understand their rights
 - o Employees need to feel they are able to report violations without being afraid or retaliation
 - o Anonymous Tip Lines
- Training
 - o Lack of training
 - o Lack of skills
 - o When there was Federal Training the employees were not allowed to go
- Payroll for grant programs
 - o Not sufficient documentation
 - o 20,000 changes in 1 year
 - o Finance had a directive from the Director to make changes
- Possible City reimbursement
- Journal vouchers
- Lack of internal controls
- Some monies were not approved by federal grants
- Should a detailed audit for departments be done this year instead of General audit - not cost effective at this time
- Finance should have more authority over financial management of departments

Per Tina Ward-Pugh's request, Affordable Housing Trust will be discussed in the future.

Chairman Downard stated he plans on bringing HUD and outside Auditors into to discuss this Audit and then the Administration.

AGENDA

[O-9-01-09 AN ORDINANCE RELATING TO CREATING A SEARCHABLE ACCOUNTABILITY WEBSITE TO INCREASE THE TRANSPARENCY OF METRO GOVERNMENT'S REVENUES AND EXPENDITURES AND SHALL BE REFERRED TO AS THE "e-TRANSPARENCY" ORDINANCE.](#)

Status: In-Committee Held

Committee: Government Accountability & Oversight

Primary Sponsor:

Hal Heiner
Kenneth C. Fleming

Discussion: This item was **Held in Committee**.

Motion to Adjourn made by Tina Ward-Pugh and seconded by Kevin Kramer. Without objection the Meeting adjourned at 5:30 P.M.

KQG